

WANNA BE A MILLIONAIRE?

STEP 2: SAVING MONEY EVERY MONTH

SAVING: The Smartest Investment

Without question, one of our most common financial mistakes is a failure to save. Whether it's for retirement, an emergency, or just for a rainy day, we don't save enough of our earnings. The experts recommend saving at least 10% of your take-home pay each month.

How have your saving habits been over the years? If you're like most, you could stand to improve in this area. This handout will focus on what you can do to make your savings a strong point of your financial life.

The Beauty of... Compound Interest

A third of Americans falsely believe they have a better chance of winning \$500,000 in the lottery than saving that much over the course of a lifetime. The truth, however, is that **you can save twice that much in half a lifetime.**

Here's what happens when you invest just \$50 a month at 9% interest a year.

Time	You save	With interest you make
10 years	\$6,000	\$9,676
20 years	\$12,000	\$33,394
30 years	\$18,000	\$91,537
40 years	\$24,000	\$1,026,853

Source: USA Today



Getting Started Saving at work and at home

The world of saving can be quite diverse. In fact, investors today have a multitude of options from tax-free 401(k) and IRA accounts to the more traditional savings accounts such as CDs.

So what's the best option when it comes to saving money? Diversity! In other words, select multiple savings options. *Here's what you can do.*

Saving Money at Work

If your employer offers a 401(k) account, find out all the specifics through your HR department and consider getting involved. These types of accounts are a must have and offer three incredible savings benefits.

They make saving easy. Because these accounts typically offer automatic paycheck withdrawal—you don't have to worry about budgeting to save, it happens automatically.

They offer a greater return on investment. While the risk on these accounts is higher than traditional savings accounts, the return on your investment can be quite healthy over the long run. With proper financial diversity, you can safely afford the risk. Just remember...never put all your financial eggs in one basket.

They often come with an employer match. Perhaps the greatest benefit of an employer offered savings plan is the FREE MONEY! That's right, employers will typically match a certain portion of your investment on a 401(k) account, doubling your investment.

Saving Money at Home

While employer offered saving plans are a great choice, they should not be your only choice. These accounts are difficult to convert into cash in the event of an emergency and almost always come with a stiff penalty for early withdrawal. Here are 3 easy ways you can improve your financial situation and supplement your "at work" savings.

Savings accounts—the simplest way to keep money in a bank and earn interest. Advantages include the low amount of money it takes to open an account, and the liquidity (conversion to cash) of the funds.

Money market accounts—pay higher interest rates and allow you to write checks against available funds. They require a significant minimum deposit (\$1,000-\$2,500) and assess fees if you fail to maintain a minimum balance. They are only liquid to a point—withdrawals below the minimum balance result in fees.

Certificates of deposit (CD's)—pay a fixed rate of interest over a specified period of time—the longer the term, the higher the interest rate. These accounts are not liquid—withdrawal of funds may result in penalties, forfeiture of interest, and/or loss of a portion of the principal.

Take Action

Taking savings into account

Take responsibility. If your employer doesn't offer either a pension or 401(k) plan, you should be putting money

into some sort of individual retirement account (IRA). Call your bank and set up an appointment with a financial advisor to learn what you can do.

Take a chance. Whether you prefer real estate, mutual funds or stocks, the younger you are, the more risks you can afford. But, never put all of your eggs in one basket and never risk what you can't afford to lose.

Cut your spending. Many people simplify their lives once they retire, but if you plan on traveling or relocating once you retire, you may want to consider simplifying your life earlier rather than later.

Start today. Know this—each decade you delay saving approximately doubles the percentage of earnings you should save to meet your goals!

Make it a priority. Personal fortunes—no matter how big or how small—are not amassed in one giant windfall. In deed, your savings grow because you plan, monitor, and add to them day in and day out!

Seek help. Find a trustworthy financial planner to help you identify goals and make good financial decisions. For more information visit your local banking institution.

Financial Lifelines

Where to go for more info

Web Sites That Can Help

The American Savings Education Council
www.asec.org/topten.htm

Savings Bond Operations Office
www.publicdebt.treas.gov/sav/sav.htm

Social Security Administration
www.ssa.gov

Books That Can Help

Get a Financial Life by Beth Kobliner

Wall Street Journal Guide to Understanding Personal Finance

You've Earned It, Don't Lose It: Mistakes You Can't Afford to Make When You Retire by Suze Orman & Linda Mead

100 Questions you Should Ask About Your Personal Finances: And the Answers You Need to Help You Save, Invest, and Grow Your Money by Ilyce R. Glink

Brochures and Pamphlets That Can Help

Personal Finance: Tricks of the Trade
Wellness Councils of America

Just for You Brochure Series

To order call 1-402-827-3590 or go to www.welcoa.org

Savings Fitness, A Guide to Your Money and Your Financial Future

Pension and Welfare Benefits Administration

To order call 1-800-998-7542 or go to www.dol.gov/dol/pwba

Ten Questions to Ask When Choosing a Financial Planner

Federal Consumer Information Center

Title number: 583G

To order call 1-888-878-3256 or go to www.pueblo.gsa.gov

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QUESTION 2:

What does the acronym “IRA” stand for?

- ☐ **A) Independent Retirement Account**
- ☐ **B) Individual Retirement Account**
- ☐ **C) Internal Revenue Association**
- ☐ **D) I’m Really an Accountant**

NAME

MAKING \$ENSE OF PERSONAL FINANCE

Sample Savings Worksheet

INCOME

Monthly occupational income (after tax) _____

Monthly investment income, such as interest, earnings,
and dividends (after tax) _____

Other monthly income (after tax) _____

TOTAL INCOME PER MONTH (AFTER TAX) _____

TOTAL INCOME PER MONTH MULTIPLIED BY .10 _____

SAVINGS

At Work

Monthly 401(k) contributions _____

Monthly pension plan contributions _____

Other monthly "at work" savings/investments _____

On Your Own

Monthly savings deposits _____

Monthly money market account deposits _____

Other monthly savings/investments _____

Other annual savings/investments (divided by 12) _____

TOTAL MONTHLY SAVINGS _____

The Bottom Line

Compare the figure on this final line to your "TOTAL MONTHLY INCOME MULTIPLIED BY .10" to see if you're saving 10% of your monthly take home pay. If you are, congratulations! If you fall short, you'll want to consider increasing your monthly savings to this recommended level.